

ANNUAL REPORT  
2012



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## Financial information

Elos intends to provide the following financial information for the financial year 2013:

Interim report for	Jan-March 25 April	2013
Interim report for	Jan-June 21 August	2013
Interim report for	Jan-Sep 23 October	2013
Year-end report	February	2014
Annual report	March/April	2014

Elos' financial information is available at: [www.elos.se](http://www.elos.se)





## This is Elos

The Group operates in two business areas – Medical technology and Metrology. Operations include development, manufacture and marketing for international customers that require complex products for use in demanding environments.

### Medical Technology

This business area is one of Europe's leading development and production partners for medical technology products and components, such as dental and orthopaedic implants and instruments. The business area is marketed as Elos Medtech. Operations are conducted at facilities in Sweden, Denmark and China. Our customers are mainly medical technology companies with an international market.

### Metrology

The operations within the Business Area Metrology comprise Elos Fixturlaser, which is considered the market leader in the field of laser-based measuring instruments for the alignment and positioning of rotating machinery. Elos Fixturlaser has the whole world as its market. Development and production take place in Mölndal, Sweden.

- Net sales rose to SEK 433.8 million (414.2), an increase of 4.3 per cent<sup>\*</sup>. New orders, which improved during the fourth quarter, amounted to SEK 447.6 million (413.6), an increase of 8.9 per cent<sup>\*</sup>.
- Operating profit was SEK 18.1 million (22.6). Operating profit has improved during the fourth quarter, amounting to SEK 10.4 million (7.8). Within the Business Area Medical Technology, profit during the first half of the year has been negatively affected by delays during the expansion of capacity in Tianjin, China. During the second half of the year, the rate of deliveries has increased within the Chinese operation. Improvement measures in Timmersdala have started to produce positive effects. The Business Area Metrology is still reporting very strong results.
- Profit after net financial items amounted to SEK 8.6 million (17.9). Net financial items have been negatively impacted by exchange rate differences of SEK -1.5 million (2.7), a result of the increased value of the krona during the year.
- The Group's profit after tax totalled SEK 8.2 million (12.8), equivalent to SEK 1.35 (2.11) per share.

\* Adjusted for exchange rate fluctuations during the year.

Key figures		2012	2011	2010	2009 <sup>*</sup>	2009 <sup>**</sup>	2008 <sup>**</sup>	2007 <sup>**</sup>
Net sales	SEKm	433.8	414.2	358.2	320.9	422.0	499.4	432.8
Profit/loss after financial items	SEKm	8.6	17.9	16.2	-3.1	0.5	37.0	37.3
Operating margin before depreciation (EBITDA)	%	12.5	13.4	14.1	10.5	11.2	17.0	18.8
Operating margin after depreciation (EBIT)	%	4.2	5.5	6.4	1.7	2.3	10.1	11.6
Share of risk-bearing capital	%	44.9	45.6	47.3	41.1	41.1	40.0	37.9
Equity/assets ratio	%	39.9	40.6	43.2	35.8	35.8	34.9	33.6
Return on capital employed	%	5.6	6.1	7.8	2.9	2.9	11.6	11.4
Return on equity	%	3.8	6.0	19.2	1.1	1.1	15.0	17.3
Earnings per share after tax, continuing operations, before dilution	SEK	1.35	2.11	1.92	-0.18	0.26	4.62	4.61
Earnings per share after tax, continuing operations, after dilution <sup>***</sup>	SEK	1.35	2.11	1.86	-0.17	0.25	4.58	-
Earnings per share after tax, total, before dilution	SEK	1.35	2.11	4.75	0.26	0.26	4.62	4.20
Earnings per share after tax, total, after dilution <sup>***</sup>	SEK	1.35	2.11	4.60	0.25	0.25	4.58	-
Equity per share	SEK	35.35	35.74	34.75	31.01	31.01	32.91	28.82
Dividend (2012 proposal)	SEK	1:00	1.50	1.50	-	-	1.50	1.50
Average number of employees		424	373	298	273	343	368	358

<sup>\*</sup> Adjusted for the sale of Elos Precision in 2010, which is reported under discontinued operations.

<sup>\*\*</sup> Unchanged from previous year, i.e. including Elos Precision.

<sup>\*\*\*</sup> Convertibles issued on 1 July 2008 and 1 July 2011 have been taken into account.

## The investments made in recent years, combined with increased demand, have gradually strengthened Elos' position

After three years of extensive investments, Elos is now entering a period where the focus is on developing the customer base, making effective use of implemented investments and developing our own product range. During the final quarter, we noticed clear signs of increased demand for our products and services, within both Medicine Technology and Metrology, and this trend has continued into 2013.

In terms of profit, 2012 can be described as unsatisfactory. Sales increased by just over four per cent to SEK 434 million, and operating profit fell to SEK 18.1 million (22.6). The positive signs witnessed towards the end of the year are pleasing, strengthening the potential for increased sales and improved profits in 2013.

The macroeconomic development in the global economy during the first three quarters of 2012 was weak. During the autumn, however, there was something of a reversal in this trend. New orders increased appreciably, sales rose and profits improved.

The improved market situation for our business areas was pleasing to note, producing positive effects on our business during the final quarter.

### Medical Technology

Viewed over the year as a whole, the overall market trend has been disappointing. We had expected growth on a par with that seen in 2011, i.e. 15–20 per cent. For the Dental segment, a decline in demand of around four per cent was noted, although with a clear variation in the overall market. North America displayed a modest increase, whereas Europe recorded a decrease. For the orthopaedics market growth was weak on the whole, although growth within the diabetes market remained positive. The market areas in which Microplast has operations, cardiovascular and diagnostics, demonstrated a steady trend.

At our unit in Timmersdala we have continued to eliminate bottlenecks in production during the year. There has also been considerable focus on improving procedures and processes for maintaining a stable level of quality. In addition cost adaptations have been made with the aim of better meeting actual developments in demand. Following our investments and other measures, we started 2013 with the potential to increase production by around 20 per cent, despite implemented staffing cutbacks.

In Gørløse, the work in recent years has been characterised in part by the movement of machinery and equipment to our manufacturing unit in Tianjin, China. The production volume that has

been moved has been partially replaced by the manufacture of new products for new customers, and partially by the manufacture of our own products. A programme of streamlining and cost adaptations was as well carried out in Gørløse during the year.

The work of developing our range of OEM products within the dental implant field has continued in 2012. The focus during the year has been on further developing a range of products used in connection with the newly established CAD/CAM technology, in order to develop patient-specific solutions more efficiently. A range for desktop scanning has been introduced. A significant portion of the development work during the year has been to develop the product range for intra-oral scanning, which now gradually been launched.

The expansion of the unit in Tianjin was delayed during the first half of the year, which had a negative impact on deliveries and profit. During the second half of the year we achieved the desired rate of delivery, although the costs for ensuring the quality level were high. I am convinced that we will be able to see a clear improvement in 2013. The increase in capacity has meant that around 50 new employees have been taken on in Tianjin, which now has a total of around 110 employees. We have now established a good base for developing operations in Tianjin by adding new customers and products.

Microplast, which was acquired in 2011, has developed well during the year. The success factors are the high level of expertise within material types and the injection moulding of components subject to stringent demands, which will significantly improve the competitiveness of the entire Group. Through Microplast, Elos has gained expertise in respect of the production of polymer products and components, which is required by several of the Group's existing customers. As a result of the acquisition of Microplast, the Group has gained new customers that will contribute to increased growth in the future.

Elos Medtech's sales for 2012 amounted to SEK 327.3 million (295.6). Operating profit stood at SEK -2.8 million (-0.4), which entails an operating margin of -0.9 per cent (-0.1). New orders, adjusted for exchange rate fluctuations, increased to SEK 338.2 million, just over 12 per cent higher than the year before.

### Metrology

After a record year in 2011, total demand for laser-based measuring instruments declined somewhat. This was principally due to a decrease in deliveries to the previously rapidly expanding wind

power industry. Investments in wind power installations and new machinery fell markedly during the year, which impacted on Elos Fixturlaser's deliveries.

Intensive development work was carried out in 2012. Towards the end of the year, a new product series was completed, Fixturlaser NXA. This is gradually being introduced onto the market during March/April 2013.

Interest among customers means that Elos Fixturlaser will probably further consolidate its role as the most innovative developer and supplier in the field for the alignment of rotating machinery.

Elos Fixturlaser's sales for 2012 amounted to SEK 106.5 million (118.6). Operating profit stood at SEK 27.4 million (32.7), which entails an operating margin of 25.7 per cent (27.6). New orders amounted to SEK 109.3 million, which is largely on a par with the year before.

### The future

2013 is set to be a very exciting year for Elos. We have carried out major investments in new products and increased manufacturing capacity in recent years, in combination with measures to streamline our operation. As a result, we can see good potential to return to our goal of an organic growth of 10 per cent per year, as well as improved profits. The end of 2012 and the start of 2013 show that we are on the right track.

When it comes to production and quality, we now have well-functioning organisations. Our development work is operating at a high level of activity, which in the long term will produce increased

growth. The challenge from now on will be the work on the market. Here we need to develop our working method in order to further extend our business with existing customers, as well our work to increase our customer portfolio. Another challenge is to obtain full effect from the product launches that are made within our market segment. However, I am convinced that the increased efforts that are being made to develop the marketing organisations will have a positive effect.

In conclusion, I would like to thank all our employees for their excellent work during 2012. There have been significant changes within the Group, with a strong concentration on development and improvement work. The gradually improving market situation for both Elos Medtech and Elos Fixturlaser entails good opportunities to increase both sales and profit levels in the current year.

With confidence I am looking to the future!

Lidköping, March 2013



Göran Brorsson  
President and CEO

"I am convinced that the increased efforts that are being made to develop the marketing organisations will have a positive effect."



# The Elos share

## Stock market trading

Elos' Series B shares have been listed on NASDAQ OMX Stockholm AB Small Cap since 13 June 1989. The high-voting Series A shares are not listed. The share price fluctuated between SEK 23.80 and SEK 57.00 during the year. The closing price at year-end 2012 was SEK 30.50 (46.00). At year-end 2012, Elos' market capitalisation was SEK 151 million (278.3). In 2012, 894,906 shares were traded at a value of SEK 37.3 million.

## Dividend policy

Elos' dividend policy stipulates that the dividend is to be based on the Group's earnings performance, while taking into account its future development potential and financial position. The long-term goal is for the dividend to increase at a constant rate and to be equivalent to a range of approximately 30–50 per cent of the profit after tax.

## Proposed dividend

For the financial year 2012, the Board of Directors has proposed that a dividend of SEK 1.00 (1.50) per share be paid to shareholders. The Group's equity/assets ratio was 39.9 per cent on the reporting date. The equity/assets ratio adjusted for the proposed dividend was 39.2 per cent on the reporting date.

## Share capital

At year-end 2012, Elos AB's share capital amounted to SEK 37.8 million. The share capital is divided into Series A and Series B shares. Apart from Series A shares each carrying one vote and Series B shares one-tenth of a vote, there is no distinction as regards the rights of the different share series in the company.

In accordance with Elos' Articles of Association, holders of Series A shares have the right to request in writing the conversion of Series A shares into Series B shares. In 2012, no Series A shares were converted into Series B shares.

## Shareholders

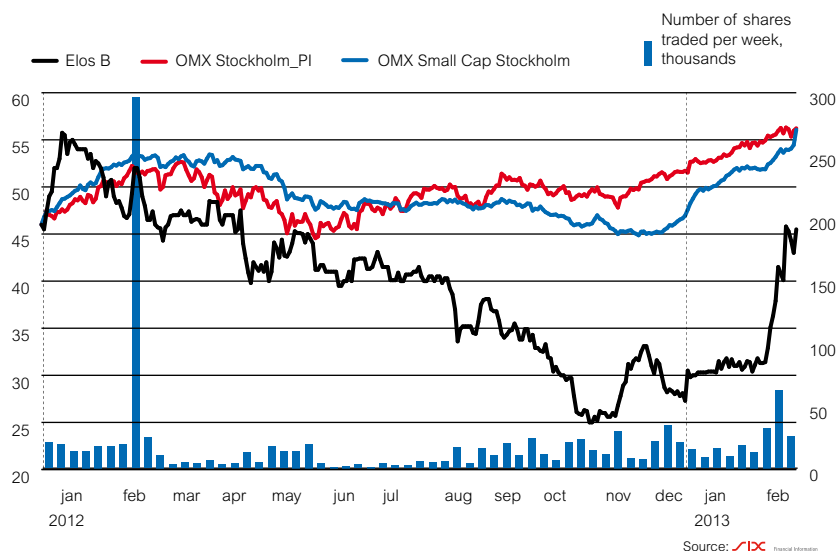
At year-end 2012, Elos had 1,471 shareholders. Elos' ten largest shareholders held shares equivalent to 55.6 per cent of the capital and 83.4 per cent of the votes. Swedish and international institutions held 20.5 per cent of the capital and 7.8 per cent of the votes at year-end.

Shareholder structure		31 Dec 2012	
Number of shares by size	Number of shareholders	Number of shares	Proportion of shares, %
1–500	853	164,877	2.7
501–1,000	245	206,595	3.4
1,001–2,000	168	278,815	4.6
2,001–5,000	94	321,057	5.3
5,001–10,000	46	348,956	5.8
10,001–20,000	22	312,716	5.2
20,001–50,000	23	765,869	12.7
50,001–100,000	9	658,744	11.3
100,001–	11	1,893,631	49.0
<b>Total</b>	<b>1,471</b>	<b>4,951,260</b>	<b>100.0</b>

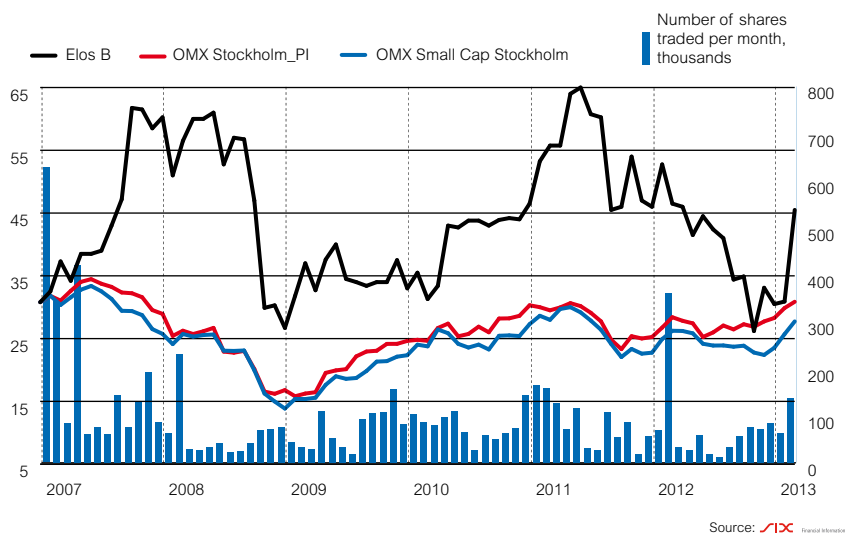
Type of share		31 Dec 2012	
Type of share	Number of shares	Share in % of votes	Share in % of capital
A	1,099,740	69.0	18.2
B	4,951,260	31.0	81.8
<b>Total</b>	<b>6,051,000</b>	<b>100.0</b>	<b>100.0</b>

The largest shareholders in Elos AB (publ)					
According to Euroclear on 31 Dec 2012	Series A shares	Series B shares	Total	% of share capital	% of votes
Öster family incl. companies	378,826	153,921	532,747	8.8	24.7
Runmarker family	297,946	201,180	499,126	8.2	20.0
Nilsson family	260,880	113,657	374,537	6.2	17.1
Molin family	136,000	163,100	299,100	4.9	9.6
Nordea Investment Funds	0	672,777	672,777	11.1	4.2
Magledal Holding APS	0	365,400	365,400	6.0	2.3
Ulrika Erlandsson	26,088	72,304	98,392	1.6	2.1
Unionen	0	219,500	219,500	3.6	1.4
Ulfenborg family	0	183,360	183,360	3.0	1.2
Jyske Bank General Settlement Acc	0	131,620	131,620	2.2	0.8
Other	0	2,674,441	2,674,441	44.4	16.6
<b>Total</b>	<b>1,099,740</b>	<b>4,951,260</b>	<b>6,051,000</b>	<b>100.0</b>	<b>100.0</b>

Performance and turnover  
of the Elos share,  
January 2012 – February 2013



Performance and turnover  
of the Elos share,  
January 2007 – February 2013



Data per share		2012	2011	2010	2009*	2009**	2008
Profit/loss after tax, continuing operations, before dilution	SEK	1.35	2.11	1.92	-0.18	0.26	4.62
Profit/loss after tax, continuing operations, after dilution	SEK	1.35	2.11	1.86	-0.17	0.25	4.58
Profit/loss after tax, total, before dilution	SEK	1.35	2.11	4.75	0.26	0.26	4.62
Profit/loss after tax, total, after dilution	SEK	1.35	2.11	4.60	0.26	0.25	4.58
Dividend (2012 proposal)	SEK	1.00	1.50	1.50			1.50
Equity	SEK	35.35	35.74	34.75		31.01	32.91
Closing share price	SEK	30.50	46.00	46.50		33.00	26.70
Dividend yield	%	3.3	3.3	3.2			5.6
Share price/Equity	%	86.3	128.7	133.8		106.4	81.1
Average number of shares on full conversion	thousands	6,180	6,193	6,237		6,237	6,144
Number of shares at year-end	thousands	6,051	6,051	6,051		6,051	6,051

Convertibles issued on 1 July 2008 and 1 July 2011 have been taken into account.  
 \*) Adjusted for the sale of Elos Precision in 2010, which is reported as discontinued operations.  
 \*\*) Unchanged from previously reported data, i.e. including Elos Precision.





## The Elos Group

Elos is an industrial group that is organised in two business areas – Medical Technology and Metrology. The Group has a significant market position in some areas of these segments.

### Vision

Elos is the preferred partner of innovative and demanding customers, offering integrated solutions to improve the customer's competitiveness. We provide advanced expertise and an uncompromising focus on quality, creating value for our customers.

### Strategy

The overall strategy is to focus the Group's operations and structure on segments where a significant market position can be achieved. The goal is to create a more concentrated business base in segments where a critical mass can be achieved.

### Overall objectives

- Create market-leading positions in selected segments.
- Continuously increase the proportion of our own products and services.
- Achieve stable annual growth in excess of 10 per cent for the Group.
- Achieve profitability that provides a return on operating capital of more than 15 per cent and an operating margin after depreciation in excess of 13 per cent.

### Financial targets

- The return on equity should exceed the risk-free long-term interest rate by 5 to 10 per cent, depending on the share of risk-bearing capital. The return should exceed 15 per cent.
- The return on operating capital should be at least 15 per cent.
- The share of risk-bearing capital should be at least 30 per cent.
- Liquidity, including granted but unutilised credit facilities, should be between 6 and 12 per cent of the Group's annual turnover.







## Business Area Medical Technology – Elos Medtech

### Continued investments and streamlining have increased future competitiveness

#### Business Area Medical Technology

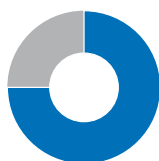
Income statement SEKm	2012	2011	2010
Net sales	327.3	295.6	258.4
Cost of goods sold	-270.2	-241.1	-201.3
Gross profit	57.1	54.5	57.1
Selling expenses	-17.1	-17.1	-16.4
Administrative expenses	-34.3	-30.3	-19.7
Development costs	-8.9	-8.6	-8.8
Other operating income/expenses	0.4	1.1	1.1
Operating profit/loss	-2.8	-0.4	13.3

#### Key data

Operating margin, %	-0.9	-0.1	5.1
Gross investments excl. shares, SEKm	34.7	79.6	53.2
Average number of employees	376	327	254

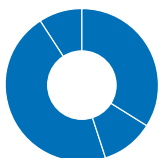
#### Group net sales

Medical Technology	75%
Metrology	25%



#### Elos Medtech sales by segment

Dental	34%
Orthopaedics	11%
Medical devices	46%
Diagnostics	9%



Elos Medtech is one of Europe's leading development and production partners in medical technology precision products. The success factors are based on supplying an integrated solution – from development and design to production and sterile packaging of finished products.

For Elos Medtech, the financial year 2012 has been characterised by continued investments in Tianjin, China, and investments in Microplast to achieve increased capacity and raised service levels, as well as streamlining of the production facilities in Timmersdala and Gørlose.

The medical technology segments in which Elos Medtech operates are characterised by extensive competition and are covered by regulatory requirements regarding development and manufacture. In addition, in the aftermath of the financial crisis, the market is significantly affected by political decisions relating to reprioritisation and cutbacks within public healthcare. In areas where the patient is largely liable for the cost, such as dental implants and hearing aids, volume growth has been negatively affected by the economic situation.

Within Elos Medtech, purposeful work is being carried out to meet these external factors by extending the customer offering, developing our own products, strengthening market presence and increasing the customer base. Furthermore, investments are continually being made in quality-raising processes in order to jointly improve competitiveness and thereby win new market share.

Investments in 2012 totalled approximately SEK 35 million (80). The lower level is partly a result of the fact that Elos Medtech is now in the final phase of the expansion of the operation in Tianjin, China. In addition, a number of other quality and efficiency-improving measures have been implemented in recent years. The acquisition of Elos Medtech Microplast was also completed in 2011. The single largest items for the year are the conclusion of stage 2 in the expansion of the operation in Tianjin, China, investments in new machinery and an expansion of Microplast's warehouse, as well as improvements to the production structure at the facilities in Timmersdala and Gørlose.

The expansion in Tianjin is a direct consequence of Elos Medtech's close collaboration with Novo Nordisk, which manufactures insulin pens for multiple use in Tianjin. Demand is steadily increasing year on year. The expanded operation has meant that a further approx. 50 employees have been trained and introduced to new work duties added in Tianjin in 2012.

In total, the operation in Tianjin now has approximately 110 employees. This means that the capacity now exists to bring in new customers into the operation. The establishment in Tianjin, which is part of the Group's strategy of geographical expansion, will be a base for deliveries to the Group's medical technology customers, who are now establishing themselves on the Chinese market.

Microplast, with its modern production facility in Skara, was acquired in 2011. Microplast has successfully created a niche for its production of small precision components in various types of advanced structural plastics for medical technology and biotech customers. The acquisition means that Elos Medtech has expanded the content of its offer with new products in new materials. Microplast is participating in the development of advanced moulding tools that satisfy stringent demands for precision and close tolerances. Capacity is also available for advanced finishing and assembly, including clean room environments.

The production plant in Skara is extremely efficient, with production taking place 24 hours a day, seven days a week. With extended capacity in both production and inventory management, Microplast has built a platform for future growth and is now attracting more and more customers in Europe and North America. We conduct extensive development work on new products and components alongside our customers, which requires continual investments in production. A new injection moulder and two robot cells were installed during 2012. This investment is the result of the collaboration with a market-leading player regarding analyses in the field of autoimmune diseases.

During the year SEK 17 million was invested in Timmersdala and Gørløse to streamline the business and expand with new types of production processes that develop the customer offering. At the same time, cost adaptations have also been carried out.

A considerable proportion of the work at Timmersdala in 2012 has been targeted at rectifying bottlenecks in production. Through

investments, these problems have been eliminated, at the same time as capacity has increased. Following the investments, and with the current workforce, the production facility in Timmersdala has the capacity to increase deliveries by around 20 per cent.

In recent years, a large proportion of the activities in Gørløse have related to the fine-tuning of machinery and processes, which have subsequently been transferred to the facility in Tianjin, China. The production capacity that has been relocated has gradually been replaced with new products, to a large extent with OEM products. These products have been developed within Elos Medtech's own development organisation. In some cases, this development work has taken place in collaboration with partners. During 2012 there has been considerable focus on developing a product range that is used in connection with scanning processes in order to produce patient-specific solutions for dental implants.

### Elos Medtech's offering

Elos Medtech's customers are mainly international companies with a global market. Several factors have resulted in a considerable increase in the demands made on suppliers in recent years:

- regulatory requirements, with clearly defined specifications regarding quality levels and documentation, which are made by public authorities in the individual user countries
- the facility, besides quality requirements, to guarantee continuous development, evaluation and validation of processes, and
- the ability to deliver integrated solutions, from development to complete products.

Elos Medtech has developed a customer offer called "Complete Performance" to meet these requirements and strengthen competitiveness. The concept means being able to offer an integrated service, from development, design and regulatory requirements via prototypes, testing and pre-series to production, clean room handling and logistics. This involves close collaboration with the customer, especially regarding development and design. This collaboration forms the basis for guaranteeing performance, and for adapting design and production to achieve optimal cost-effectiveness.

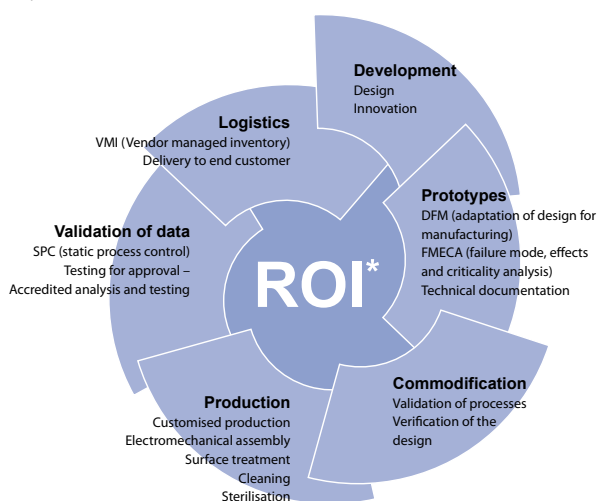


To effectively meet the regulatory requirements, Elos Medtech has independent quality departments, which in their work can comply with all international certifications and individual countries' standards for medical technology products. The work involves developing documentation, manufacturing prototypes and implementing subsequent testing in our own laboratories. These tests are both static and dynamic and mainly focus on strength. The test laboratory in Timmersdala is accredited in accordance with ISO 17025. In the long term, this means that Elos Medtech can assist its customers even more actively in their development work.

Pre-series are always produced using the same machinery as will be used for subsequent serial production. They enable validation in a large-scale environment and are an efficient way of ensuring compliance with quality requirements.

Within Elos Medtech, the production structure has been adapted to handle considerable volumes with short lead times and to enable similar products to be manufactured at all three production plants in Sweden, Denmark and China. Performance testing, product assembly, sterile packaging and labelling – all to current standards – are carried out in clean rooms.

The “Complete Performance” offering also includes logistics services. Various solutions facilitate customers' inventory management, including a VMI (Vendor Managed Inventory) system that aims to continuously deliver the right products at the right time as required.



\*) ROI = Return on Investment.

## The market

Market development in 2012 was affected by the uncertainty that has characterised economic development in the Western world. Following developments in the first three quarters of the year that have been difficult to assess, the year finished with increased new orders during the fourth quarter. In general, demand is governed by three factors:

- Demographics – the global population is ageing
- Skills development – research in orthopaedics and surgery is resulting in an increasing number of complex operations being performed each year
- Financial development – the amount allocated to healthcare budgets in social insurance systems and the amount individual consumers are willing to pay for dental interventions in particular.

The customer base consists of three groups: large global companies, specialised players mainly offering niche products and local and regional companies focusing on a given geographical area.

Comprehensive regulatory requirements apply fully, irrespective of customer group. There is also a clear trend for these requirements to grow more stringent each year. This applies both to the FDA in the USA and in the EU, where a new Medical Devices Directive came into force in all Member States in 2010. This applies chiefly to risk analyses, process validation and contamination, leading to production adjustments for all manufacturers.

Elos Medtech mainly faces competition from other global players with a global market. In Europe, our main competitors are Cendres & Métaux, Maillefer, Diener, Ruetschi and Hader (Switzerland) and Gbr Brassler (Germany). In the USA, our closest competitors are Symmetry, Orchid and Veridiam. There is also competition from global medical technology companies with their own production operations.

## Dental

The Dental segment mainly focuses on the development and manufacture of implants, abutments and instruments and tools for dental surgery. In recent years Elos Medtech has been the global market-leading contract manufacturer in this market segment.

Market development was slightly weaker in 2012 compared to 2011. However, development showed a divided picture. Growth was positive in North America and Asia, while it declined in Europe. Southern Europe saw a decline in demand, while northern Europe showed zero growth. On the whole, these differences are due to the economic trend within the various regions, as the patient is personally responsible for the largest share of the treatment cost.

Efforts to develop a portfolio of OEM products have continued during the year. The development of the CAD/CAM range has progressed well, and products for intra-oral scanning will gradually be launched during 2013. The dental scanning market is growing rapidly, with annual growth rates estimated at around 20 per cent in the coming years. Demand for Elos Medtech's patented torque wrench increased further in 2012.

## Orthopaedics

The Orthopaedics segment mainly focuses on the development and manufacture of screws and implants for the upper and lower back and scoliosis treatment (Spine), as well as the development and manufacture of implants and plates for fracture surgery (Trauma) and small prostheses for hand surgery.

Elos Medtech's target group consists of major international medical technology companies as well as local European specialist companies. The market's six largest players dominate the global market and have a joint market share of around 70 per cent. Demand was satisfactory in 2012, with a combined growth of around five per cent being recorded, although with differences between geographical markets and areas.

Initiatives to deepen collaboration with customers have continued robustly. During the year a number of new products have been validated for production, providing a basis for growth in coming years. The regulatory requirements are comprehensive, which means that development in close collaboration with customers can both shorten lead times and result in even more cost-effective production.

## Medical Devices

The Medical Devices segment focuses on the development and manufacture of high precision products for diabetes treatment, neurosurgery and heart surgery, as well as the development and manufacture of other implants and components, such as surgically implanted hearing devices and components for traditional hearing aids.

Co-operation with the Danish company Novo Nordisk is continuing. Demand for components for Novo Nordisk's insulin pens for multiple use has increased. During 2012, Elos Medtech has commenced deliveries of new product types to Novo Nordisk.

## Diagnostics

Within the Diagnostics segment, operations are focused on the manufacture of products that are used in conjunction with analyses of allergies, auto-immune diseases and similar types of analyses. In addition, components included in various types of analysis equipment are also supplied.

Elos Medtech's market consists of customers who sell their products on a global market with market-leading positions. The situation as regards to demand has continued to show a steady positive trend during 2012. A major new project has been launched during the year, which will create increased volumes of business in the coming years.

## Developments in 2012

Net sales rose to SEK 327.3 million (295.6), an increase of 10 per cent after adjustment for exchange rate fluctuations. Earnings have primarily been negatively impacted by delays in the expansion of capacity in Tianjin and by poorer than anticipated growth in vol-

ume in the medical technology operation, as well as by costs arising from staff cutbacks. Microplast, which was acquired during 2011, has had a positive impact on earnings. The operating profit was SEK -2.8 million (-0.4) and the operating margin was -0.9 per cent (-0.1).

## The future

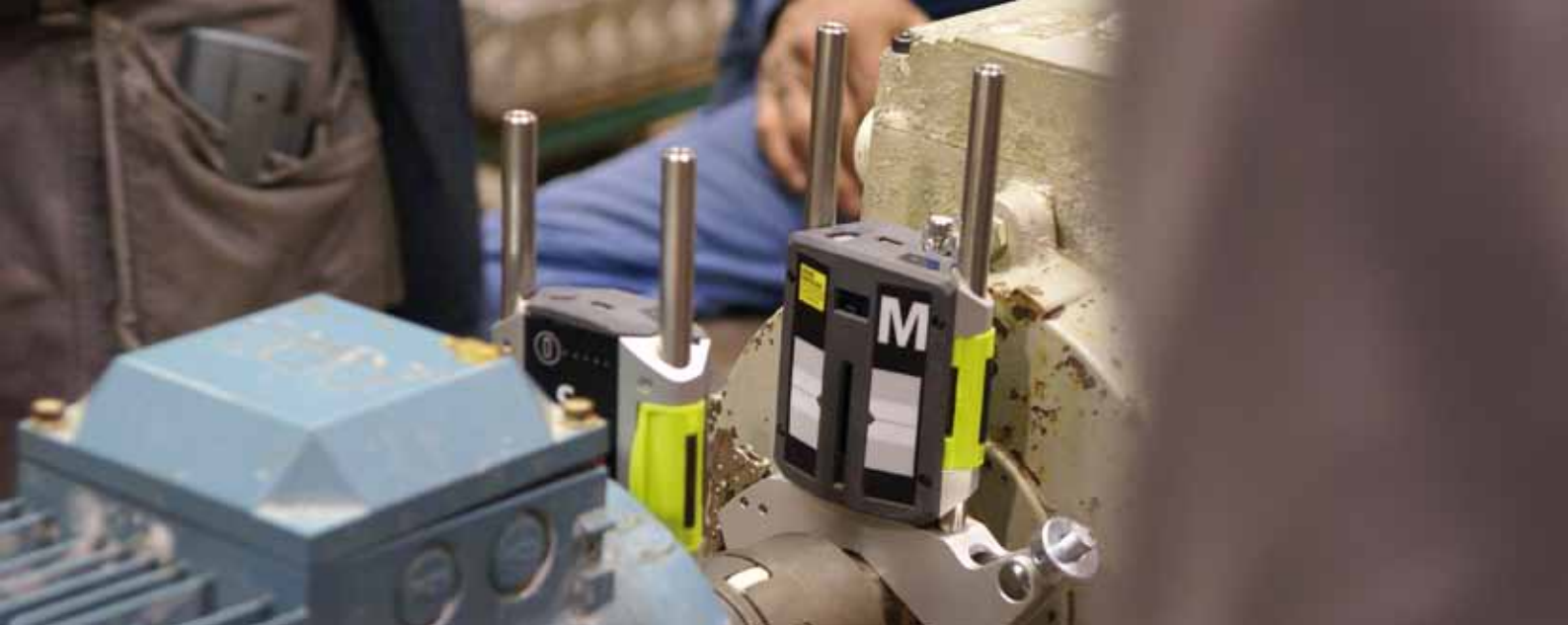
In recent years we have worked purposefully with investments in new capacity, streamlining, quality work, cost reductions and reinforcing skills within marketing and sales at a global level. This means that Elos Medtech's potential for future expansion is good.

The increased regulatory requirements, in combination with increased competition, have resulted in medical technology companies now expanding their product ranges at a more rapid rate. As a result, the level of complexity for Elos Medtech's customers is increasing. Elos Medtech's potential to contribute to a simplification of customers' businesses through expertise and capacity is good. This will take place through an increased overall undertaking and by Elos Medtech supplying OEM products. In terms of the development of OEM products, the focus is primarily on the dental implant market and within the Trauma and Spine orthopaedic segments.

Stage 2 of the development of the operation in Tianjin was completed during 2012.







## Business Area Metrology – Elos Fixturlaser

### Intensive development work strengthening a leading position on the market

#### Business Area Metrology

Income statement SEKm	2012	2011	2010
Net sales	106.5	118.6	99.8
Cost of goods sold	-43.8	-46.0	-45.6
<b>Gross profit</b>	<b>62.7</b>	<b>72.6</b>	<b>54.2</b>
Selling expenses	-21.3	-20.3	-16.3
Administrative expenses	-9.6	-8.6	-7.0
Development costs	-4.9	-13.2	-13.8
Other operating income/expenses	0.5	2.2	0.6
<b>Operating profit</b>	<b>27.4</b>	<b>32.7</b>	<b>17.7</b>

#### Key data

Operating margin, %	25.7	27.6	17.8
Gross investments excl. shares, SEKm	14.8	1.8	2.3
Average number of employees	44	42	40

#### Group net sales

Metrology	25%
Medical Technology	75%



#### Elos Fixturlaser sales by segment

Distributors in	
North and South America	29%
Distributors in Europe	29%
Distributors in Asia	12%
OEM market	22%
Rest of the world	4%
Special customers	5%



The weak economic situation for industry in 2012 has had a significant impact on Elos Fixturlaser's markets. However, demand improved during the final quarter of the year. At the same time, the final preparations were implemented within Elos Fixturlaser prior to the launch of a new product series with significantly improved properties in early 2013.

Elos Fixturlaser develops, manufactures and markets laser-based shaft alignment instruments. The majority of end-customers are within the process, power, engineering and wind power industries. Elos Fixturlaser's products are used to ensure correct alignment of machinery, which facilitates and streamlines maintenance work and thereby significantly increases the machinery's availability.

Elos Fixturlaser is a market leader in the field of laser-based measuring instruments for the alignment and positioning of rotating machinery. The development work has been intensive in recent years, and successful introductions have enabled Elos Fixturlaser to consolidate its leading position within a clearly defined market segment.

The products are distinguished by their high level of user-friendliness. All instruments are equipped with a large, clear screen, which guides the user throughout the entire process from start to completed measurement, as well as documentation of the completed work.

The product range consists of a complete range of instruments for shaft alignment, geometric measurements of flatness and straightness, shaft journal measurements and belt drive alignment. A simple upgrading system allows the various functions to be combined to meet various types of measuring requirements.

Elos Fixturlaser is certified in accordance with ISO 9001 and ISO 14001, and is also a certified supplier of EX-classified alignment systems.

#### Homogeneous market

The need for alignment within the industry exists all around the world. The total market is estimated to be worth more than SEK 600–700 million in end-customer prices, with Elos Fixturlaser having just over a third of the market.

Elos Fixturlaser's products are sold in over 70 countries, mainly on markets in Europe, North and South America, Asia and Australia. Elos Fixturlaser reaches customers through four different sales channels: its own sales companies, selected distributors, the OEM market and special customers.

The majority of sales take place through a worldwide network of distributors. The main sales arguments are a well-known brand and a product range that covers all requirements in industry, as well as proximity to service for calibration, upgrading of software and training.

The OEM market consists of customers that market and sell Elos Fixturlaser's products under private labels. Special customers comprise users with special requirements for customisation to meet specific, often complicated requirements.

Elos Fixturlaser faces competition on all its markets. However, despite a global operation, the overall market is easy to survey. The competition is mainly limited to two other players: Prüftechnik (Germany) and Damalini (Sweden).



Elos Fixturlaser is a market leader in the field of laser-based measuring instruments for the alignment and positioning of rotating machinery.



## Developments in 2012

Elos Fixturlaser's sales for 2012 amounted to SEK 106.5 million (118.6), which entails a decline of approximately 10 per cent. Demand fell markedly within the wind power industry, where investments in new machinery and installations decreased during the year. Demand was also affected by the general uncertainty that characterised the market in Europe, as well as by reduced deliveries of OEM products. During the final quarter of the year there was a reversal in the trend as regards to new orders, which improved by around 40 per cent compared to the same period in 2011.

The financial year 2012 was characterised by intensive development work for Elos Fixturlaser. Over the past seven years, the

Fixturlaser XA system has been highly successful on the market. Towards the end of the year, its successor was completed, Fixturlaser NXA. The system is gradually being introduced onto various markets during March/April 2013.

The Fixturlaser NXA system means that Elos Fixturlaser has taken a major step towards cementing its role as the most innovative developer and supplier as regards to shaft alignment. Fixturlaser NXA is smaller, lighter and faster than its predecessor. It offers a substantially longer operating time for each battery charge providing a working time of up to 10 hours, and also operates within a broader temperature range, from -10° up to +50°C.

The Fixturlaser NXA system is also easier to handle, as the operator receives guidance via the interface as to how to take the next step in the work process, as well as receiving feedback from the system that the right procedure has been carried out correctly.

## The future

Demand for Elos Fixturlaser's products is strongly linked to global industrial activity. The fact that new orders rose significantly during the final quarter of 2012, and that this level is also being achieved at the start of 2013, are still not decisive indicators that a significantly stronger market can be anticipated for the whole of 2013. However, the hope is that the market will gradually improve.

Elos Fixturlaser's goal is to further strengthen its competitiveness. The introduction of the new Fixturlaser NXA system is an important element in this work, and will benefit from reinforced marketing efforts both within our own marketing organisation and among distributors and other market channels.

The plans for the future include further product launches with the aim of strengthening Elos Fixturlaser's market position.



The Fixturlaser NXA system means that Elos Fixturlaser has taken a major step towards cementing its role as the most innovative developer and supplier as regards shaft alignment.



# Corporate Social Responsibility (CSR)

Elos' operation has internal links primarily to Sweden, Denmark and China, which is where development and production take place. Externally, Elos is a global company, with the whole world as its market.

The CSR work within Elos is partially focused on ensuring a safe and secure workplace for all employees, as well as reinforcing the Group's business opportunities on a market that is subject to competition. The objective is for Elos to be perceived as a businesslike, successful company that at the same time stands for reliability, responsibility and good ethics.

As a company, Elos has a number of stakeholders: customers, employees, owners, business partners, politicians and opinion formers, as well as local, national and international authorities. Elos has the greatest impact on its customers, employees and owners – and they also have the greatest opportunity to influence our operational work.

For our customers, it is crucial that we deliver products and services with documented quality. This quality aspect includes an expectation that we respect the environment and act correctly in accordance with our values. For our employees, it is important that Elos is a responsible employer with a safe and attractive work environment. In many cases, Elos' employees are specialists with unique competencies. It is therefore vital that we always show by our actions that we offer an attractive workplace and act responsibly in the event of changes. It is also of importance that skills development is continuous and that owners and management are successful in communicating how Elos is developing and the future opportunities available within the company.

The owners require Elos to contribute to long-term value creation but also, as a company in selected market areas, that we work towards sustainable development and identify sustainable business opportunities that secure growth.

In Elos' business partnerships with other companies, such as new product development, there are mutual requirements for clarity and transparency. Elos' credibility with politicians, opinion formers and local, national and international authorities is based on showing responsibility for the environment and human beings along with impeccable ethical business conduct. Our conduct requires analysis and careful consideration, especially as the Elos Group is expanding through the establishment and development of operations in non-Scandinavian countries.

There are a number of other stakeholders in our environment who are also affected by or influence Elos. These are all the people who come into direct or indirect contact with our operations. Elos has a responsibility for transparency and correct conduct in relation to all these parties.

## Common values

With our common values for long-term and sustainable development, Elos inspires the confidence of our customers, employees, suppliers and owners. Our objective is always to live up to the expectations that the world around us places on the Group in every-

thing we do. Our vision of how we should develop along with carefully prepared policies are the basis for Elos' operations, and are summarised in three core values that describe our common values:

**Passionate** – We are committed, determined and dedicated. With a positive attitude, we drive our development forwards and find solutions. Co-operation and solidarity are important, resulting in job satisfaction for our customers and ourselves.

**Trustworthy** – At Elos, we are open and honest. We take responsibility for our actions and products and keep our promises. We apply our policies in our daily work and influence our suppliers and partners to operate in line with our way of working.

**Result-oriented** – We achieve the targets that create value for the customer by taking the initiative and wanting to win. Our targets should be ambitious and achievable as well as firmly established internally and with our customers. We create the best value for all parties through co-operation and participation.

## Social responsibility policy

As an international organisation, with operations mainly in Sweden, Denmark and China, Elos is aware of the need for and the benefits of social responsibility.

It is important that Elos is perceived as a company that takes responsibility for employees and our environment from a social perspective. The company should therefore not only focus on finances and profitability, but also assess the outcomes of operations, in order to continue operating efficiently without having a negative impact on people and our environment.

Elos operates in a manner that meets or exceeds the ethical, legal, commercial and public expectations placed on business operations by the societies in which we operate. Social responsibility is a guiding principle for every decision made and within all areas of the company.

## Equality and diversity

Elos offers all employees and job applicants equal opportunities, irrespective of ethnicity, caste, nationality, religion, age, disability, gender, marital status, pregnancy, sexual orientation, trade union membership or political affiliation.

In 2012 the average number of employees was 424 (373), of whom 67 per cent (68) were men and 33 per cent (32) women. In management posts, the breakdown was 77 per cent (79) men and 23 per cent (21) women. The goal is gradually to increase the number of female managers.

## Human rights

Elos should respect the human rights of employees and treat them with dignity and respect.

Child labour must not occur. Employee freedom of association and collective bargaining are a matter of course, as well as freedom of communication. Elos' employees should be able to com-

municate openly with management regarding working conditions without fear of reprisal, intimidation or harassment. No forms of discrimination are tolerated.

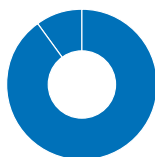
Elos should treat its employees with respect and dignity, and must not subject them to any kind of inhuman or degrading punishment, physical, verbal or sexual abuse, or threat of abuse or harassment. A motivation and employee satisfaction survey should be performed on a regular basis.

### Labour practices

Elos should pay its employees a fair market wage on time, in accordance with the law or the prevailing industry standard (whichever is higher) in the country concerned, and should provide all statutory benefits, such as medical insurance, social insurance and pensions in full.

#### Employees by business area

Medical Technology	90%
Metrology	10%



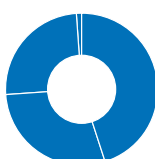
#### Employment period in the Group

< 5 years	57%
6–10 years	12%
11–15 years	13%
> 16 years	18%



#### Employees by country

Sweden	45%
Denmark	29%
China	25%
Other countries	1%



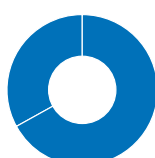
#### Age distribution

< 29 years	29%
30–39 years	26%
40–49 years	23%
> 50 years	22%



#### Distribution of men and women in the Group

Men	67%
Women	33%



The company should not breach local regulations on working hours and should remunerate overtime in accordance with local laws and regulations as a minimum.

Employees should be entitled to at least one day off in every seven-day period and should receive paid annual leave and public holidays in accordance with local legislation.

Wage deductions as a disciplinary measure should not be permitted, nor should any wage deductions that are not stipulated by national legislation be permitted without the express permission of the worker concerned. All disciplinary measures should be recorded.

From a health and safety perspective, it is a matter of course that Elos provides all employees with a safe, healthy and hygienic workplace.

To safeguard employee conditions, Elos has a duty to:

- implement effective programmes and systems for ensuring employee safety by minimising work-related accidents and illnesses, and provide effective protection against exposure to chemical, biological or physical hazards in the work environment;
- identify and assess emergency situations, implement contingency plans for emergencies in the workplace, and provide sufficient fire exits, escape routes and firefighting equipment;
- implement regular health checks and safety training for employees;
- provide hygienic toilet facilities and unlimited access to drinking water in the workplace;
- continuously improve safety performance by setting targets, initiating action plans and undertaking necessary improvements identified by internal or external assessments.

Elos must not use forced or involuntary labour (e.g. forced, bonded, indentured or involuntary prison labour). Employers must not retain workers' identity papers or hold deposits from workers. Workers should have a copy of the written employment contract setting out the terms and conditions of their employment.

### Skills development

Elos' development and success are dependent on continual skills development. Skills and organisational development activities are both group-wide and decentralised in the Group. Job-related training is a cornerstone in the development of the Group's organisation and competence. Implementation may vary, ranging from one-day courses to longer training programmes. These programmes are generally adapted to the specific requirements of the unit concerned. One example of this type of programme is GMP training, which employees at Elos Medtech complete. This continuing professional development is important to meet the increasing need for competence in regulatory requirements, as well as requirements for stable production and operational processes. To create a more active exchange of experience and competence between the Group's units, study visits have been arranged at the different units. These experiences provide a valuable basis for establishing best practice methods for different operational processes.

## Work environment

The work environment and safety are a high priority within Elos. Our employees are a strategically important resource, and consequently there is a "zero vision" for occupational injuries.

Sickness absence in 2012 totalled 3.0 per cent (2.7). Absence for 60 days or more amounted to 1.2 per cent (1.0). Sickness absence is relatively evenly distributed between women and men, as well as between age groups. Continual following-up and implementation of necessary measures takes place at a local level.

## Quality is the foundation for all work within Elos.

Elos' customers make demands on the security and safety of the products and processes we supply. To achieve zero defects, the Group's units comply with the requirements made by various types of standards. Independent quality departments ensure that regulatory requirements are met.

Operations are certified in accordance with ISO 9001, ISO 14001 and ISO 13485. In the USA, Elos is registered with the FDA (Food and Drug Administration) and complies with such US standards as QSR and GMP. Laws and regulations also govern our quality management, such as SFS 1993:584, which includes the sanctions that may be applied if statutory requirements are not fulfilled.

Individual customers also have their own special requirements, which are determined by their organisations and the requirements of public authorities in the countries in which they sell their products. This is further emphasised in the revised Medical Devices Directive 93/42/EEC, which came into force in March 2010, in which the importance of effective control of subcontractors is stressed. Increased documentation and control of the processes used are required to guarantee product safety. In addition, there are stricter documentation requirements for intended use, validation reports, clinical assessment and so forth. There is also an increased focus on chemical substance leakage from packaging material that comes into contact with the product.

The concept of post-market surveillance has also acquired a central role, which means that there must be a plan for systematically monitoring products released on the market. The above also results in more stringent demands on our customers with regard to monitoring their suppliers. This will lead in turn to a reduction in the number of suppliers, as very close collaboration between customer and supplier will be required to meet all the requirements. Together with several of Elos' major customers, a continuous programme is in progress to meet these new requirements.

Monitoring and audits are regularly carried out in all the Group's units. Audits relating to ISO standards, MDD 93/42/EEC, etc., are carried out by accredited organisations. Operations are also monitored by our customers, who check compliance with both standards and their own requirements.

In 2012, a total of 38 man-days (69) were spent on auditing the Group's operations. Moreover, additional time was spent by the Group's own staff, who take part in these audits as well as carrying out internal audits for monitoring purposes.

In addition, some of the Group's major customers have invested time together with Elos in the task of validating the processes used.

## Number of audit days in 2012

Production facility	Quality audits with customers, no. of days	Certification audits, no. of days	CSR audits, no. of days
Elos Medtech Pinol A/S	4	8	0
Elos Medtech Timmersdala AB	14	6	0
Elos Medtech Tianjin Co. Ltd.	0	3	0
Elos Medtech Microplast AB	0	2	0
Total, Medical Technology	18	19	0
Elos Fixturlaser AB	0	1	0
Total, Metrology	0	1	0

## Reduced environmental impact

Elos aims to protect resources and minimise the negative impact on the environment, health and safety, which can be associated with the operations and the products manufactured.

All the units in the Group have a very small environmental impact on their immediate surroundings and excellent control of their environment-impacting processes. Elos' ambition is that environmental activities should be preventive and strive constantly to improve products, processes and plants to minimise their environmental impact. The companies also have good relationships with their local authorities and neighbours.

The Group makes continuous efforts to reduce electricity consumption, and energy surveys are an important basis for defining the active measures to be implemented to optimise resource utilisation.

## Responsible enterprise improves business opportunities

In a world in which technological development is accelerating, distances are shrinking and an increasing number of firms are developing a global approach to strengthen competitiveness, it is important to stress the necessity of responsible enterprise. With development, production, marketing and sales centred on high product quality and extremely comprehensive regulatory requirements, the Group's purposeful work on sustainability and CSR issues legitimises the quality of everything we undertake. Value is added to the Elos brand by clearly emphasising the importance of responsible enterprise and the ability to practise what we preach.

The results of these efforts are evident. The Group is strengthened internally, improving our competitiveness. Externally, Elos stands out as a reliable, stable and attractive business partner, something which both strengthens existing business relationships and creates new business opportunities.

## Consolidated income statement and statement of comprehensive income

SEK thousand	2012	2011
Net sales	433,753	414,222
Cost of goods sold	-314,167	-287,131
<b>Gross profit</b>	<b>119,586</b>	127,091
Selling expenses	-38,048	-37,347
Administrative expenses	-50,276	-48,730
Development costs	-13,833	-21,785
Other operating income	4,457	3,994
Other operating expenses	-3,835	-661
<b>Operating profit</b>	<b>18,051</b>	22,562
<i>Result from financial investments</i>		
Other interest income and similar profit/loss items	6,594	4,425
Other interest expenses and similar profit/loss items	-16,102	-9,066
<b>Profit after financial items</b>	<b>8,543</b>	17,921
Tax expense	-392	-5,125
<b>Net profit for the year</b>	<b>8,151</b>	12,796
Attributable to parent company shareholders	8,151	12,796
Minority interest	0	0
<b>Other comprehensive income</b>		
Translation differences incl. taxes	-5,330	1,721
Hedging of net investment incl. taxes	3,918	527
<b>Total comprehensive income</b>	<b>6,739</b>	15,044
Attributable to parent company shareholders	6,739	15,044
Minority interest	0	0
Earnings per share for the year (SEK)	1.35	2.11

# Consolidated balance sheet

SEK thousand	31 Dec 2012	31 Dec 2011
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible assets</i>		
Capitalised expenditure for R&D	15,873	4,660
Goodwill	41,605	42,797
Other intangible assets	12,799	12,264
	<b>70,277</b>	59,721
<i>Property, plant and equipment</i>		
Buildings and land	92,879	86,795
Plant and machinery	132,997	124,823
Equipment, tools, fixtures and fittings	14,588	14,341
Construction in progress	631	18,350
	<b>241,095</b>	244,309
<i>Financial assets</i>		
Deferred tax asset	2,801	-
Long-term receivables	4,223	-
Other shares and interests	-	-
	<b>7,024</b>	-
<b>Total non-current assets</b>	<b>318,396</b>	304,030
<b>Current assets</b>		
<i>Inventories etc.</i>		
Raw materials and consumables	37,045	39,895
Products in progress	27,643	27,784
Finished products	54,202	52,043
Advance payments to suppliers	528	1,065
	<b>119,418</b>	120,787
<i>Current receivables</i>		
Trade receivables	61,097	59,548
Current tax asset	1,324	4,553
Other receivables	7,249	8,578
Prepaid expenses and accrued income	4,762	5,487
	<b>74,432</b>	78,166
Cash and bank balances	<b>23,488</b>	29,803
<b>Total current assets</b>	<b>217,338</b>	228,756
<b>TOTAL ASSETS</b>	<b>535,734</b>	532,786



## Consolidated balance sheet

SEK thousand	31 Dec 2012	31 Dec 2011
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<b>Equity attributable to parent company shareholders</b>		
Share capital	37,819	37,819
Other capital contributed	55,526	55,526
Reserves	-3,101	-1,689
Profit brought forward incl. net profit for the year	123,664	124,589
<b>Total equity</b>	<b>213,908</b>	<b>216,245</b>
<b>Non-current liabilities</b>		
Provisions for pensions	18,858	16,747
Deferred tax liability	26,825	26,969
Other non-current provisions	86	1,089
Non-current interest-bearing liabilities	141,418	155,660
<b>Total non-current liabilities</b>	<b>187,187</b>	<b>200,465</b>
<b>Current liabilities</b>		
Bank overdraft facility	32,514	28,601
Other interest-bearing liabilities	39,164	24,826
Advance payments from customers	1,531	541
Trade payables	18,635	21,244
Income tax liability	1,502	864
Other liabilities	7,673	5,397
Accrued expenses and deferred income	33,620	34,603
<b>Total current liabilities</b>	<b>134,639</b>	<b>116,076</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>535,734</b>	<b>532,786</b>
<b>PLEDGED ASSETS</b>	<b>178,688</b>	<b>195,702</b>
<b>CONTINGENT LIABILITIES</b>	<b>406</b>	<b>378</b>

## Consolidated cash flow statement

SEK thousand	2012	2011
<b>Operating activities</b>		
Profit after financial items	8,543	17,921
Reversed depreciation	36,151	33,414
Adjustment for non-cash items	171	-265
	44,865	51,070
Tax paid	79	-1,269
<b>Cash flow from operating activities before working capital changes</b>	<b>44,944</b>	49,801
<i>Cash flow from working capital changes</i>		
Increase/decrease in inventories	-1,089	-22,886
Decrease/increase in operating receivables	-5,031	6,913
Decrease in operating liabilities	654	698
<b>Cash flow from operating activities</b>	<b>39,478</b>	34,526
<b>Investing activities</b>		
Investments in non-current assets	-41,965	-40,979
Indirect investments through acquisition of subsidiary	-	-15,214
Sale of non-current assets	494	933
<b>Cash flow from investing activities</b>	<b>-41,471</b>	-55,260
<b>Financing activities</b>		
Increase/Decrease in interest-bearing liabilities	5,253	-3,076
Dividend to shareholders	-9,076	-9,076
<b>Cash flow from financing activities</b>	<b>-3,823</b>	-12,152
<b>Cash flow for the year</b>	<b>-5,816</b>	-32,886
<b>Cash and cash equivalents at beginning of year</b>	<b>29,803</b>	62,692
<b>Exchange rate differences in cash and cash equivalents</b>	<b>-499</b>	-3
<b>Cash and cash equivalents at year-end</b>	<b>23,488</b>	29,803

## Ten-year summary

Income statements		2012	2011	2010*	2009*	2009	2008	2007*	2006**	2005***	2005	2004	2003
Net sales	SEKm	433.8	414.2	358.2	320.9	422.0	499.4	432.8	400.4	626.9	1,328.3	1,467.4	1,230.0
Operating profit	SEKm	18.1	22.6	22.9	5.4	9.6	50.3	50.1	29.4	11.8	41.4	59.0	9.2
Net financial items	SEKm	-9.5	-4.6	-6.7	-8.4	-9.1	-13.3	-12.8	-9.3	-7.0	-9.2	-12.2	-14.5
Profit/loss after financial items	SEKm	8.6	17.9	16.2	-3.1	0.5	37.0	37.3	20.1	4.9	32.2	46.8	-5.3
Taxes	SEKm	-0.4	-5.1	-4.6	2.0	1.1	-9.1	-9.4	-1.5	-3.3	-10.2	-15.8	-1.6
Net/profit loss for the year, continuing operations	SEKm	8.2	12.8	11.6	-1.1	1.6	27.9	27.9	18.6	1.6	22.0	31.0	-6.9
Net profit/loss for the year, discontinued operations	SEKm	-	-	17.1	2.7	-	-	-2.5	-14.8	20.4	-	-	-
Net profit/loss for the year	SEKm	8.2	12.8	28.7	1.6	1.6	27.9	25.4	3.8	22.0	22.0	31.0	-6.9
Balance sheets													
Non-current assets	SEKm	318.4	304.0	251.7	304.4	304.4	309.2	278.1	311.6	382.8	382.8	229.9	241.2
Receivables and inventories	SEKm	193.8	199.0	171.9	199.0	199.0	219.5	218.9	275.7	499.9	499.9	443.2	416.1
Cash and cash equivalents	SEKm	23.5	29.8	62.7	21.4	21.4	41.2	20.8	19.8	56.1	56.1	63.1	27.7
Assets held for sale	SEKm	0.0	0.0	0.6	1.5	1.5	1.5	1.5	-	-	-	-	-
Total assets	SEKm	535.7	532.8	486.9	526.3	526.3	571.4	519.3	607.1	938.8	938.8	736.2	685.0
Equity	SEKm	213.9	216.2	210.3	188.5	188.5	199.1	174.4	148.9	228.2	228.2	181.2	150.2
Non-current liabilities	SEKm	187.2	200.5	161.8	223.1	223.1	238.9	220.2	246.8	341.3	341.3	234.7	257.0
Current liabilities	SEKm	134.6	116.1	114.8	114.7	114.7	133.4	124.7	211.4	369.3	369.3	320.3	277.8
Total equity and liabilities	SEKm	535.7	532.8	486.9	526.3	526.3	571.4	519.3	607.1	938.8	938.8	736.2	685.0
Cash flow													
Cash flow from operating activities	SEKm	39.5	34.4	48.3	29.3	43.5	69.7	26.8	43.7	40.9	57.6	119.4	57.9
Cash flow after investments	SEKm	-2.0	-20.7	5.4	17.5	26.4	53.9	9.3	22.4	-22.5	-12.0	95.9	32.9
Key data													
Operating margin before depreciation (EBITDA)	%	12.5	13.4	14.1	10.5	11.2	17.0	18.8	15.2	8.5	6.6	7.1	4.9
Operating margin after depreciation (EBIT)	%	4.2	5.5	6.4	1.7	2.3	10.1	11.6	7.3	1.9	3.1	4.0	0.7
Risk-bearing capital	SEKm	240.7	243.2	230.5	216.3	216.3	228.8	196.8	165.6	255.1	255.1	204.4	165.9
Share of risk-bearing capital	%	44.9	45.6	47.3	41.1	41.1	40.0	37.9	27.3	27.2	27.2	27.8	24.2
Equity/assets ratio	%	39.9	40.6	43.2	35.8	35.8	34.9	33.6	24.5	24.3	24.3	24.1	21.9
Return on capital employed	%	5.6	6.1	7.8	2.9	2.9	11.6	11.4	-0.6	2.4	8.1	13.7	2.2
Return on equity	%	3.8	6.0	19.2	1.1	1.1	15.0	17.3	-7.3	0.8	10.7	18.8	-4.5
Interest coverage ratio	multiple	1.5	2.9	3.3	1.1	1.1	3.5	3.8	neg	1.6	4.3	4.6	0.7
Net debt	SEKm	208.5	196.0	137.6	228.9	228.9	225.8	227.9	295.5	336.3	336.3	183.6	263.8
Debt/equity ratio	multiple	1.0	0.9	0.6	1.2	1.2	1.1	1.3	2.0	1.6	1.5	1.0	1.7
Other													
Gross investments excl. shares	SEKm	51.2	85.7	57.7	20.0	42.3	44.7	46.3	49.0	43.8	50.0	44.2	35.8
Average number of employees		424	373	298	273	343	368	358	344	457	700	745	693

\* Continuing operations, i.e. after divestment of Elos Precision in 2010 and divestment of Electronics business area in 2007.

\*\* Income statement, cash flow, EBITDA, EBIT, gross investments and average number of employees refer to continuing operations. Other figures are unchanged compared with the previous year's reporting.

\*\*\* Including Electronics business area but excluding Building/Interiors. Shares in the latter were distributed to shareholders in November 2006. Other values remain unchanged.

## Definitions of key data and glossary

**Operating margin** Profit/loss before net financial items and tax as a percentage of net sales.

**Risk-bearing capital** The total of equity, any minority interests and deferred tax liability.

**Share of risk-bearing capital** Risk-bearing capital as a percentage of total assets.

**Equity/assets ratio** Equity including any minority interests as a percentage of total assets.

**Return on capital employed** Profit/loss after net financial items plus financial expenses as a percentage of average capital employed.

**Capital employed** Total capital as per the balance sheet less non-interest-bearing liabilities and non-interest-bearing provisions.

**Return on equity** Net profit for the year as a percentage of average equity.

**Interest coverage ratio** Operating profit/loss excluding profit participation in any associated companies plus financial income, divided by financial expenses.

**Net debt** Interest-bearing liabilities less cash and cash equivalents.

**Debt/equity ratio** Net debt in relation to equity.

**FDA** (Food and Drug Administration) The US food and drug authority.

**GMP** (Good Manufacturing Practice) Regulations that govern manufacturing, including packaging.

**OEM** (Original Equipment Manufacturing) Manufacturing for customers who sell the products under their own brand.

**QSR** (Quality System Regulation) A regulation for quality systems.

**VMI** (Vendor Managed Inventory) Inventory managed by supplier.

# Board of Directors and auditor

## Directors



**Stig-Arne Blom**

Ulricehamn, born 1948, Master of Engineering.  
Chairman of the Board.  
Director since 2002. Chairman of the Board of Plastal AB, Pulsen AB and Liljedahlsbolagen. Director of Beijer Electronics AB, Bergs Propulsion AB, the Board of Handelsbankens Region Väst and others.  
Shareholding: 200 Series B shares.



**Agneta Bengtsson Runmarker**

Stockholm, born 1960, Bachelor of Law.  
Director since 2003. Legal Adviser at the Swedish Data Inspection Board.  
Chair of the Board of AB Westergyllen and its subsidiaries, and Director of Investment AB Brunnslöykan and its subsidiaries.  
Shareholding: 14,600 Series B shares incl. family.



**Göran Brorsson**

Lidköping, born 1952, Bachelor of Economics.  
Director since 2000.  
President and CEO. Employed since 2000.  
Chairman of the Board of the Group's subsidiaries.  
Chairman of the Board of Gents Wear AB.  
Shareholding: 100,000 Series B shares. Convertible debentures equivalent to 15,000 Series B shares.



**Erik Löwenadler**

Gothenburg, born 1945, Master of Engineering.  
Director since 2007. Deputy Director of HR Performance Sweden AB.  
Shareholding: 4,028 Series B shares.



**Jeppe Magnusson**

Lerum, born 1952, M. Sc. Doctor at Chalmers University of Technology, Gothenburg.  
Director since 2012.  
Partner in ISEA, Industry Senior Advisors.  
Shareholding: No holding.



**Mats Nilsson**

Stockholm, born 1969, biologist, PhD.  
Director since 2010.  
Professor of molecular diagnostics at Stockholm University.  
Chairman of the Board of Q-linea AB. Director of Olink Bioscience AB.  
Shareholding: 40,500 Series B shares.



**Lars Sponberg**

Stockholm, born 1945, Bachelor of Economics, Bachelor of Law.  
Director since 2003.  
Director of Addtech AB, Interval AB and others.  
Shareholding: 400 Series B shares.



**Thomas Öster**

Stockholm, born 1963, Master of Engineering.  
Director since 2005. Global Sales and Business Management Director, Ericsson AB Stockholm.  
Chairman of Venova AB, Director of Lidköping Invest.  
Shareholding: 54,000 Series B shares incl. family.

## Auditor

**Öhrlings PricewaterhouseCoopers AB**

Auditor in charge

**Bror Frid**

Skövde, born 1957  
Authorised Public Accountant, PwC, Gothenburg.  
Auditor of the company since 2012.

# Senior management

## Group management



**Göran Brorsson**

Lidköping, born 1952, Bachelor of Economics. President and CEO. Employed since 2000. Chairman of the Board of the Group's subsidiaries. Chairman of the Board of Gents Wear AB. Shareholding: 100,000 Series B shares. Convertible debentures equivalent to 15,000 Series B



**Ulrica Ehn**

Lidköping, born 1967, Bachelor of Economics. CFO. Employed since 2011. Shareholding: Convertible debentures equivalent to 10,000 Series B shares.



**Patrick Juslin**

Lidköping, born 1965, Master of Engineering. CTO. Employed since 2008. Shareholding: Convertible debentures equivalent to 15,000 Series B shares.

## Elos Medtech



**Mathias Andersson**

Lidköping, born 1971, Engineer. MD, Elos Medtech Microplast AB. Employed since 2012. Shareholding: 3,000 Series B shares.



**Kjell-Erik Johansson**

Götene, born 1954, Master of Engineering. MD, Elos Medtech Timmersdala. Employed since 1999. Shareholding: No holding.



**Søren Olesen**

Gørøse, Denmark, born 1961, Economist. MD, Elos Medtech Pinol A/S. Employed since 1984. Shareholding: 365,400 Series B shares via company. Convertible debentures equivalent to 15,000 Series B shares.



**Stefaan Dewaele**

Tianjin, China, born 1966, Master of Engineering. MD, Elos Medtech Tianjin Co. Ltd. Employed since 2010. Shareholding: No holding.



**Tina Friis Poulsen**

Køge, Denmark, born 1964, Quality Engineer. RA/QA Manager Elos Medtech. Employed since 2009. Shareholding: No holding.

## Elos Fixturlaser



**Hans Svensson**

Mölnlycke, born 1960, Master of Engineering. Managing Director. Employed since 1995. Shareholding: 400 Series B shares. Convertible debentures equivalent to 15,000 Series B shares.



**Peter Strömberg**

Gothenburg, born 1972, Master of Science. R&D Manager. Employed since 2001. Shareholding: 1,000 Series B shares. Convertible debentures equivalent to 6,000 Series B shares.

# Addresses

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The English version of Elos' Annual Report for 2012 comprises selected parts of the Swedish Annual Report for 2012. The content of the text and tables has been translated from the Swedish version. The Swedish version has been audited by Elos' authorized public accountant, Bror Frid, Öhrlings PricewaterhouseCoopers AB.



**ELOS** >



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